

Timor Sea Development APA view of N.T. Gas Impact

Gas Task Force Meeting

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APA Viewpoint

- ▶ This is a snapshot
- ▶ Rapidly evolving scenario
- ▶ Allegiances are transitory
- ▶ Required unprecedented cooperation
- ▶ APA seeks:
 - A commercial position for itself
 - To support territory objectives
- ▶ APA recognizes territory dilemma



N.T. Gas Project

- ▶ 1983 decision, \$60 million NPV better than coal
 - Actual outcome better
- ▶ Was and remains a good decision
- ▶ Timor gas provides opportunities
- ▶ Overall position improved by Timor
- ▶ Possible equity investment in “PIPECO”
- ▶ Opportunities from synergies with “PIPECO”

PIPECO

- ▶ Either APA, EPIC or others
- ▶ \$1.5 billion minimum up to \$2.5 billion
- ▶ APA seeks to retain 25-40%
- ▶ APA seeks partners
- ▶ N.T. Gas facilities may be integrated
 - Value to be determined
 - Project economic modelling
- ▶ Synergies being explored
 - Agility/PAWA/SCADA initiative
 - Equipment/People/Systems
 - Buildings/Communications
 - Easement

The N.T. Gas Pipeline

- ▶ Adds value to Timor option
 - Volume Bottle
 - Amadeus tail gas supply
- ▶ Mitigates Timor Risk
 - Delayed start-up
 - Planned/unplanned shut down
 - Catastrophic failure
- ▶ Synergies should lower cost for N.T.
 - Shared operations
 - Shared facilities
- ▶ Possible sole pipeline to Mataranka for Gove

N.T. Gas Matters

- ▶ Leased until 2011
 - Early pay-out possible
- ▶ Lease pay-out \$100 million+
- ▶ Return tariff until 2006 (\$7M p.a.)
- ▶ OPEX/SIB CAPEX indefinitely (\$7-8M p.a.)
- ▶ Amadeus contracts / Palm Valley issues
- ▶ Amadeus tail gas opportunity

N. T. Gas Pty Ltd

- ▶ 96% owned by APA
4% N.T. Govt/CLC
- ▶ Trustee for Amadeus Gas Trust
- ▶ Beneficiaries
 - OUH - N.T. Govt/APA
 - SUH - Amadeus Producers
- ▶ Has limited life
- ▶ Does not intend to pay out lease and acquire pipeline
- ▶ Pipeline will revert to N.T. Govt if no other buyer
- ▶ Issues with S.U.H.

N.T. Gas Pipeline

- ▶ Still useful/required for Territory loads
 - Sunk cost basis
- ▶ Query Tennant Creek / Elliott (mid-section)
 - LNG from ASP
 - Diesel not a real option
- ▶ Part abandonment or re-use option
- ▶ We can reduce but not eliminate OPEX
 - Synergy with new system

N. T. Gas Pipeline

- ▶ 10 Mpa MAOP 14"-12" sizing
 - Not suitable for new system
 - Can provide capacity for Gove
 - Can deliver Amadeus tail gas
 - Third party use
- ▶ Profitability questionable
- ▶ Tariff to Mataranka for Gove
 - Marginal cost of By-pass is real competitive price
 - Bundled versus unbundled pricing

N.T. Gas Easements

- ▶ Essentially government controlled
- ▶ Not 100% contiguous
- ▶ Useful in new project to (maybe) Daly Waters
- ▶ Value to be determined / agreed
 - Discussions with Mike Lauer



EPIC

- ▶ Plan “A” intended to by-pass N.T. Gas
- ▶ Design included capacity to Mataranka for Gove load
 - Can deliver to Mataranka at marginal cost
- ▶ Design excludes Amadeus tail gas
- ▶ Seeks most direct route to Moomba
- ▶ Time frame first gas - 2004
 - OK for Gove
 - Optimistic for other than Gove



APA vis-à-vis EPIC

- ▶ We made overtures with N.T. Govt to EPIC
- ▶ Only one pipeline will be built
- ▶ APA sees early Queensland market
- ▶ Epic sees early Adelaide market
- ▶ Both see NSW market/contract shortfall 2006 (AGL)
- ▶ Phillips seek marriage of APA/EPIC
- ▶ Shell/Woodside gone quiet
- ▶ Gove have stopped negotiations with EPIC



APA vis-à-vis EPIC

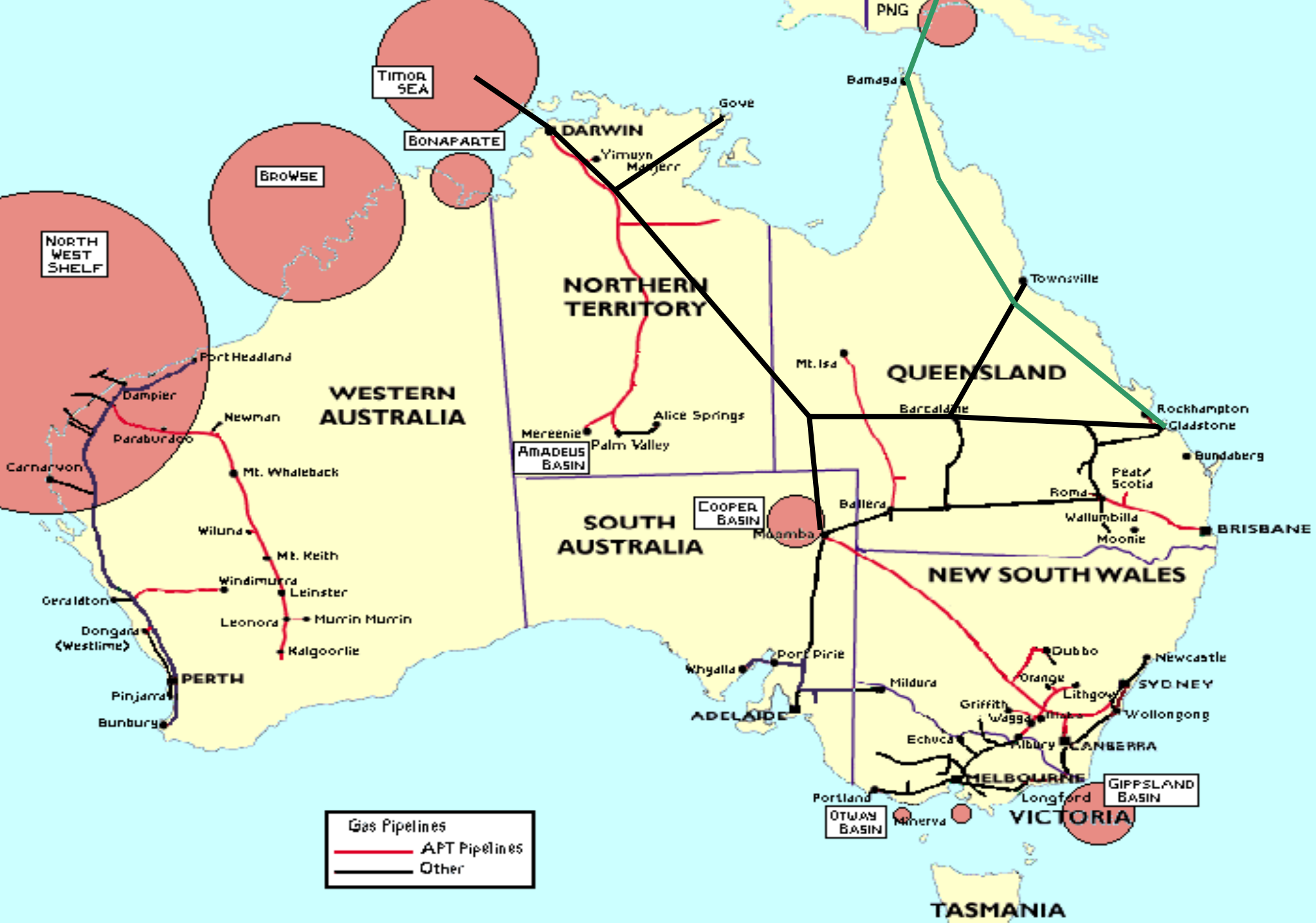
- ▶ APA seeks to integrate N.T. facilities
 - If economic
 - If government desire
- ▶ APA seeks to integrate OPEX/SIB CAPEX
 - PIPECO seeks partners
- ▶ APA plan assumes Santos cooperation
 - Discussions commenced



Next Steps

- ▶ Conclude AGT dispute
- ▶ Engage Amadeus producers re N.T. Gas future
- ▶ Determine value of N.T. Gas in PIPECO
- ▶ Determine proposal to capture Gove
- ▶ Gove proposition to be put by government
 - Maybe “PIPECO”
 - Not N.T. Gas
- ▶ Market management - Phillips/Shell/AGL/Others
- ▶ Plan Trust future and strategy
- ▶ Agree actors/contracts/way forward





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